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WORLD-POLITICS.

LONDON: ST. PETERSBURG: BERLIN.

LONDON, *February, 1908.*

PARLIAMENT reassembled on January 29th for what every one feels to be a momentous session—momentous not merely for this party or for that, but for the Kingdom itself. But before I attempt to elucidate its significance it is necessary to touch on two events that preceded it. On January 18th the result of the by-election in Mid-Devon was declared. Mid-Devon thitherto had been considered one of the safest Liberal seats in the country. It had never returned any one but a Liberal to Parliament. Even in the dark days of 1900, when the country was swept by a tornado of Jingoism and a Liberal suspected of pro-Boer sympathies was scarcely allowed to open his mouth in public, Mid-Devon stood by its colors. Nobody on either side suspected that at the recent by-election it would change its allegiance. The Liberal candidate, though a stranger to the constituency, was an able representative of an extremely able family, long associated with the service of the State. The Conservative candidate declared himself a convinced Tariff Reformer of the Balfourian school, put the fiscal question in the very forefront of his campaign, and made none of the too familiar efforts to face three ways at once. In these conditions a Liberal victory was everywhere looked upon as a foregone conclusion. But in politics there are no certainties. The Unionist was returned. Innumerable explanations, as usual, have been forthcoming to account for a result that no one expected. The “literature” employed on the Unionist side fixed upon the Government the responsibility for the general rise in prices that has taken place in the last eighteen months. Some believe that the issue was really determined by this audacious manœuvre. Others found in it a proof that the Tariff Reform propa-

ganda, which is being pushed just now with renewed vigor all over the country, is at last beginning to tell. Others, again, maintained that the defeat of the Liberal was owing more than anything else to the hostility of the brewers, who are united to a man against the Government's licensing proposals. Others, however, argued that the Mid-Devon electors are still Free Traders and at a general election would sweep aside every minor issue in order to vote for the Free Trade candidate, but that they utilized the by-election to register their dissatisfaction with the Government's Socialistic leanings, with its alleged failure to maintain order in Ireland, with its too hasty onslaught on the House of Lords, and, above all, with its programme of old-age pensions. There is one other explanation I will mention. It is that the Mid-Devon farmers turned against the Government because of the Small-Holdings Bill, which has started its career with every omen of success, which promises already to become the Magna Charta of the agricultural laborers, and which must therefore impinge upon the farmers' social and economic ascendancy. All of these explanations, in their several degrees, may be correct, but it is not easy to extract from them any comprehensive moral.

Of far more significance than the Mid-Devon election were the proceedings of the Labor Party, which began a five days' Conference at Hull in the third week of January. It adopted two resolutions in regard to old-age pensions and the problem of unemployment, and another, and an infinitely more important, one in regard to Socialism. It demanded a universal non-contributory pension scheme beginning at the age of sixty-five and financed by taxing the incomes of the rich. Such a scheme, it is estimated, would cost from \$150,000,000 to \$200,000,000 a year, and would assuredly land this or any other Free Trade country that adopted it in Protection. The remedy for unemployment that appealed to the Labor Conference was the unlimited provision of work by public authorities. On this, too, I need at present say nothing. Far more startling was its action in regard to Socialism. A resolution to commit the Labor Party to Socialism is one of the hardy annuals of the Labor Conference. Hitherto it has been always shelved or defeated. At Hull it reappeared in the form of an amendment to the constitution of the Labor Party. The declared object of the party at present is "to organize and maintain a Parliamentary Labor Party with its own whips and policy."

The amendment proposed that for the future the Labor Party should formally define its ultimate aims as "the obtaining for the workers of the full results of their labor by the overthrow of the present competitive system of capitalism, and the institution of a system of public ownership and control of all the means of life." In other words, the Labor Party was asked to declare itself a Socialist organization. The amendment was defeated by 951,000 votes to 91,000, and among those who opposed it most strongly were the Socialists themselves. They opposed it from considerations of expediency. To have pressed it home, to have carried it, would have meant running the almost certain risk of a rupture with the trade-unionists.

That was on Tuesday, January 21st. On the following day the delegates turned a complete somersault. A motion came before them declaring that "the time has arrived when the Labor Party should have as a definite object the Socialization of the means of production and distribution and exchange, to be controlled by a democratic State in the interests of the entire community, and the complete emancipation of labor from the domination of capitalism and landlordism, with the establishment of social and economic equality between the sexes." This resolution was carried by 510,000 votes to 469,000. What is the meaning of a *volte face* so amazingly sudden and complete? According to many of the Labor men themselves, the explanation is very simple. Tuesday's amendment sought to change the constitutional basis of the Labor Party. If it had been adopted, no one in future could join the Party who was not prepared to pledge himself to the Socialist programme. But Wednesday's resolution was of a very different character. It merely declared that "the time has arrived" when the Labor Party should adopt Socialism "as a definite object." It was nothing more than a pious expression of opinion, intended to be entered on the minutes of the Conference, and of no practical significance. It does not exclude any one from the ranks of the Party; it does not prevent any one, even the most determined opponent of Socialism, from throwing in his lot with the Party. But I am bound to say that these casuistical distinctions, so far from convincing the country, disgust it. The average man cannot go to the trouble of distinguishing between the "constitution" of the Labor Party and its "object." What he sees is that the red flag has been

hoisted and that the Labor Party has been captured by the Socialists, and he regards it as a very serious development. That certainly is how the Socialists themselves interpret the voting at Hull, and naturally they are jubilant. The trade-unionists, on the other hand, either minimize the resolution as "academic" or deny that the delegates were expressing anything but their personal opinions, or else admit the gravity of the crisis that has arisen and contemplate the possibility of secession from the ranks of the Labor Party. If the trade-unionists of the country were fairly polled, I have little doubt they would declare decisively against Socialism. As a rule, they are more interested in the provident and industrial than in the political side of their organizations. The officials they have chosen, however, are for the most part Socialists, and tend with an increasing celerity to emphasize their political character at the expense of their legitimate functions as trade-union leaders. What I believe to be happening is that an active Socialist minority is rapidly acquiring control of the political interests of English trade-unionism, in spite of the fact that the great majority of trade-unionists are anything but Socialists. After the Hull Conference the danger which threatens nearly every trade-union in the country can no longer be disguised, and it will be a matter full of moment for the industrial and political future of Labor to see whether the rank and file of the trade-unionists will continue to place their funds, prestige and interests at the disposal of the Socialists.

The commitment of Labor to the extreme formula of Socialism introduces a new and irritating element into the relations between Labor and Liberalism; it threatens to weaken, if not to destroy, the forces of progress; and it supplies the party of Toryism and reaction with an unequalled excuse for coming forward as the champions of property, individualism and the Constitution. "With a Labor Party on a trade-union basis," says the "Daily Chronicle," "Liberals could always work in sympathy, although they could not go the whole way with them. With a Labor Party which has become the instrument of revolutionary Socialist propaganda they could have nothing to do. They will oppose it to the utmost; they will oppose it in the interests of commerce and industry, and in the interests of the people themselves." Matters, of course, have not reached that pitch yet; they may never reach it. But it is certain that so

long as the Hull resolution stands, and so long as the Labor Party and the Liberals continue to act more or less in concert, the implication of Socialism will to some degree attach to Liberalism, and that the Tories will be the only ones to benefit by it. I may add that the proceedings of the Conference have not increased the national respect for the Labor leaders' generalship. It is universally regarded as irresolute, flaccid and insincere, and the suspicion obtains that a Party, even though it may call itself Labor, which imposes no labor test, which is open to men of all classes, and which is largely directed by Socialists who are not working-men, is not necessarily a true exponent of the views of the "proletariat." But the raising of the Socialist bogey in this menacing form, on the morrow of the defeat in Mid-Devon, has unquestionably perturbed the Liberals and filled their opponents with anticipatory glee.

The King's Speech held no surprises for those who had followed the speeches of Ministers during the autumn campaign. It contains as formidable a programme as has ever been submitted to Parliament. The post of honor, which is also the post of danger, is held by the Government's Licensing Bill. The fight at this point will be desperate and prolonged. With the details of the Government's proposals I am not acquainted; but their essence is to enable the State to resume control of the liquor traffic by fixing a time-limit after which all payment of compensation on the non-renewal of a license shall cease and the license itself shall revert to the State, to be reissued, if at all, only on the basis of its full monopoly value—that is, on the basis of the additional value which a license confers on the premises to which it is attached. One need know very little of England to be sure that any scheme on these lines will be fiercely assailed. "The trade" is the most militant, the wealthiest, the best organized and the most pervasive business interest in the country, and it is prepared to put up the fight of its life, a fight that will ultimately determine whether it or the State is the stronger. The country is being bombarded with its appeals and protestations. It buys up whole pages in the newspapers for the purpose of setting forth its case. Every post seems to rain circulars in which the iniquity of the Government and the confiscatory nature of its proposals are painted in the blackest and most terrifying colors, mingled with sentimental references to the

widows and orphans whose incomes are derived from brewery debentures. But the Government is equally resolute. Warned by a somewhat painful experience, it will decline to go as far as the Temperance extremists would like it to go. But towards its main goal of reasserting the supremacy of the State over "the trade" it will press, unless I am greatly mistaken, unwaveringly.

Another measure that was mentioned in the King's Speech and that will assuredly be embodied in legislation—a measure that marks a critical turning-point in the history of this country's social development and financial policy—is the Old-Age Pensions Bill. Mr. Asquith, it may be remembered, set aside from last year's surplus a sum of \$11,250,000 as a nucleus for an old-age pension fund. This year he proposes to go a step further, and to outline a definite scheme. Here again the country has been pretty amply informed of the direction in which the Ministerial mind is working. The Government's plan, unlike the German plan, will be non-contributory, or contributory only in the indirect sense that, so far as the cost of the pensions falls upon the taxes, all classes of the community will bear their share in shouldering the burden. It will probably start at the age of sixty-five, and some attempt will be made to exclude those who either do not need or do not deserve State relief in their old age. The Government's policy is to proceed by stages, and for this year, at all events, to do no more than make a beginning. But it is a beginning of which no man can see the end, and though both the historic Parties have long been committed to the principle of old-age pensions, and though the Labor group especially is bent upon getting them, there are very few men who contemplate the decisive plunge without a certain dismay, who are not obsessed by doubts as to its ultimate effects upon the *morale* of the people and the national finances, who are quite confident that it will not involve a revolution of the fiscal system, or who look forward with entire tranquillity to the conversion of the State into a vast money-making machine controlled by politicians on the hunt for votes. A third measure, not so important, but far more controversial, will be Mr. McKenna's Education Bill. Its aim, it is understood, will be to reproduce the substance of Mr. Birrell's Bill of 1906, which was done to death in the House of Lords in a shorter and less complicated form. That means that the

rabid sectarian squabble, into which all English discussions of elementary education quickly degenerate, is to be renewed with all, and more than all, its old bitterness. Mr. Birrell has given notice of two Irish Bills which also, if the past is any guide to the future, will be fought clause by clause and line by line. One deals with the old and thorny problem of a Catholic university in Ireland, and the other with the compulsory purchase of untenanted land for the purpose of relieving congestion in the western counties. There are several other measures promised by this insatiable Government which are concerned with minor, but not necessarily less contentious, projects of social and industrial reform—measures, for instance, providing an eight-hour day for coal miners, amending the laws relating to the housing of the working-classes, regulating the laying out of land needed for the development of growing towns, amending the valuation system, establishing a new authority for controlling the Port of London and improving the Acts relating to the protection of children and to the treatment of juvenile offenders. It is a courageous, a huge, I fear an unwieldy, programme. And vast and complex as it is, it is dominated by a yet greater problem—the problem of the House of Lords. The two Bills relating to Scottish Land and to the Scottish valuation system, which the Lords last year prevented from becoming law, are to be reintroduced in the House of Commons this session, passed rapidly through all their stages, and sent up again to the Upper Chamber. The campaign against the Lords, on which the Government has staked its existence and which will in all probability be the dominating issue of the next election, thus passes into a new and more stringent phase. The Government, in short, is nearing the decisive moment of its career, and great resolution and foresight among the leaders, inflexible loyalty among the rank and file, and a high degree of Parliamentary strategy will be needed if it is to emerge with credit and success.

ST. PETERSBURG, *February, 1908.*

It is a matter of common knowledge that since M. Stolypin took over the reins of power the Tsar has given him a pretty free hand. In details he has differed from his Premier now and again and has carried his point, but in the only two cases

of which the public has cognizance he was apparently right. He has also been known to disagree with M. Stolypin, yet to give way in the end; and in at least one instance of this it would have been better—many say—had he stood firm and carried his point. However this may be, the Tsar's greatest sin in the eyes of all parties at the present moment is his slowness to act on his own convictions lest he should spoil the work of his official advisers. But it is only fair to add that the Cabinet is guilty of an analogous offence. It acts as though it entertained no faith in itself or in anybody else.

Undoubtedly the mistakes of the Cabinet are endangering the existence of the third Duma. Already people are discounting the impending dissolution, and speculation is rife as to what will come after. It is taken for granted that the resignation or dismissal of the Premier will usher in this momentous change. The proximate cause of the break-up, politicians affirm, will be the refusal of the deputies to approve the naval programme of the Government and to sanction the cost of carrying it out. But in the structure of this argument too much is taken for granted. If the Government insists on receiving the sum requisite—about \$150,000,000—for the rebuilding of the Navy, and if the Duma withholds its assent on the ground that the money, if entrusted to the present staff of officials, would be ill spent, then perhaps the door would be open to fateful consequences. But the facts of the case do not compel one to accept these postulates.

The Marine Department holds that a fleet above the water, as well as a flotilla below the water, is a prime necessity for Russia; and in order to acquire the requisite vessels asks for a credit amounting to the sum already mentioned. How the political parties will act when they find themselves at the ballot-boxes one cannot say, but at present they angrily refuse to entertain the notion. Nor is it only Socialists and Constitutional Democrats who object. The Octobrist party, which enjoys the goodwill of the Premier, and even the members of the Monarchist Right are equally emphatic in their condemnation of the reconstruction scheme. The grounds for this attitude are various. Some allege that Russia cannot afford such a vast sum for battle-ships during her present straitened financial circumstances, which do not allow her to spend more than \$25,000,000 yearly for educational purposes. They further urge that, whatever the sum

at first asked for, it would not be final; but it would entail the payment of further sums every year for the upkeep of the ships, and would thus help to cripple the material growth of the nation. Moreover, these deputies maintain that a powerful fleet is superfluous because Russia possesses no merchant navy worth such a costly method of defence, and no coast likely to be attacked except Vladivostok, which could be defended cheaply and efficiently by creating a first-class stronghold there.

Other deputies, mainly members of the Monarchical parties, admit the need of a powerful Navy and are willing to pay for it. All that they ask is that the money shall be spent to good purpose, but they are convinced that this will not be the case until a clean sweep is made of the officials who now run the department. "We want honest men in the first place and clever men afterwards," one prominent Monarchist remarked; "and if we give the present corrupt bureaucrats the spending of the nation's money a large part of it will stick to their pockets, and with the remainder they will build ships that will turn turtle in a storm or spring a leak on a long trip." And they adduce facts in support of their thesis. During the war the *Canet-Lafettes* on which the ships' guns lie often broke, and at the Vladivostok engagements these mishaps handicapped the Russians. Hence the *Canet-Lafettes* were condemned. Yet they are still used on board all the vessels that have come out of the war unscathed. The Russian type of armed cruisers was also shown by the war to be dangerously defective, and only one of these ships behaved well in action. That was the "*Bayan*," and it differed from the others only in having an uncommonly good commander. Yet the Ministry of Marine, heedless of this fact, has recently ordered three more cruisers of that same type. Among the parliamentary opponents of the Government Bill are some whose chief or only objection is that an up-to-date powerful Navy cannot be built in Russia, and they find it impossible to favor the spending of hundreds of millions of dollars in support of foreign ship-building and to the ruin of their own. Lastly many deputies declare that, even if the battle-ships were built, Russia has not suitable seamen and bluejackets to man them.

Members of the Cabinet and prominent deputies have already informally exchanged views on the subject, and the result is not encouraging to the Government. Neither side shows any willing-

ness to give way. The Ministry of Marine is resolved to abate nothing of its demands, and the parties are minded to veto them at all costs. Count Uvaroff, a distinguished member of the Octobrist party, has let it be known that, in the course of the informal negotiations, undue pressure was brought to bear upon them in the guise of a contingent threat to dissolve the Duma. He went on to say, however, that threats would have no effect on himself nor, he believed, on his party. They consider that the interests of the nation will be best served by saying "No" to the Government, and they will accordingly say "No" with due emphasis. It should not be forgotten, however, that the Duma's refusal would not entail the abandonment by the Government of its reconstruction scheme. For the legislative assembly cannot effectively veto expenses for the Army or the Navy.

Contemporary history teaches us that neither parties nor Cabinets eat their soup as hot as it is cooked. They generally give it ample time to cool. To-day the excitement in both camps is, so to say, at the boiling-point; but by the time the debates have come on and the Duma gets ready to vote—say in a month or six weeks—the cooling process will have made satisfactory progress. And as the deputies' adverse vote cannot take effect, neither will the Government's threats be carried out. Nobody with power or influence, neither Tsar nor Premier nor any constitutional party, wants the third Duma to be broken up. For if that goes much else will go too, and the chances are considerable that no legislative body of the same type will meet again in Russia. The belief is deep-rooted and wide-spread that if the third Duma proves a failure a new kind of assembly will be created, which many bureaucrats and some politicians think better suited to Russia than the Duma is. It would consist of fewer members, who would be elected not directly by the people, but by such elective corporations as urban municipalities and rural zemstvos, would sit about four months in the year, and would elect a permanent committee to prepare the materials, draft the bills and keep the machinery working smoothly. Whether this scheme will ever be realized is very doubtful, but it is not likely to be entertained unless the third Duma breaks down. And there are no good grounds for assuming that the vote on the naval estimates will prove the rock on which it will go to pieces.

On the whole, however, it cannot be gainsaid that the third

Duma falls far short of even moderate expectations. It moves at snail's pace and busies itself with the veriest trifles. Having worked seventeen days out of seventy before Christmas, it adjourned for a three weeks' rest. Yet, when legislative business was resumed on January 21st, there was hardly a quorum of a third of the members present. The Speaker, M. Khomiakoff, complained to a journalist lately that many deputies appear to have forgotten the existence of the Duma and of the Tavrida Palace, seeing that they have not once put in an appearance there since their arrival in the capital. He looks with disfavor on the practice of choosing for treatment petty questions that are devoid of interest and unlikely to arouse discussion — such as whether a certain sum should be given for the rent of a house for the guardians of the orphans of noblemen in the city of Perm, or whether the nuns of a certain convent in the south of Russia shall have their coughs and colds cured at the expense of the Crown or at their own. The result is that whereas the first Duma, which existed only for seventy days, drew up house rules for itself and also passed a public administrative law, the third Duma did less during the seventy days of its existence. The Speaker further explained that it is not in his power to expedite matters or even to sift the important from the unimportant bills — only the Chairmen of the Committees can do this. At present, he said, there are no urgent bills ready. No project can yet be laid before the upper chamber, although the Duma has dealt with eleven, "because the drafting committee has not once come together. And the very same thing is happening with other committees. . . . In Russia everything is fleeting. Thus there was a time when the zemstvos aroused intense interest; afterwards they were clean forgotten. . . . In the community no real genuine interest for anything is noticeable. If there be any it is artificial; this is true even of the interest shown in the Duma."

When the Speaker himself passes such a severe judgment on the Duma there must be something very defective somewhere.

But turn to whatever institution you may and you will find that the defects, not the qualities, are making themselves felt, and painfully felt, just now. The railway departments, the general staff of the Army, the Admiralty, the Ministry of Public Instruction, even the Most Holy Synod itself, are all sinning, or said to be sinning, against the interests of the nation. Take

the Most Holy Synod. That is a body of high ecclesiastical dignitaries, including the several Metropolitan Archbishops, which governs the Church instead of the patriarch, whose office was abolished by Peter the Great. This year the Emperor, exercising his legal right, himself appointed the several members of the higher clergy who are to take part in the labors of this session. And they have begun by disapproving those legislative bills which are grounded upon the scheme of religious toleration that was unfolded in the Imperial ukase of Easter, 1905. For example, it used to be a punishable offence in Russia for the members of any creed, except the established Orthodox Church, to seek to make proselytes. This law was then modified, and nobody was liable to punishment for converting or perverting a member of the Orthodox faith unless it could be shown that among the means employed there was an abuse of authority, compulsion, guile or a promise of recompense. Now the Most Holy Synod has given utterance to the view that the right of freely spreading its tenets belongs only to the Orthodox Church. As a corollary of this theory, the Synod asks that the prohibitions which formerly kept the members of rival creeds from enticing away sheep of the true fold shall be left in vigor. The liberal press is greatly indignant at this refusal of the prelates of the Church to dance to the piping of the latter-day tunes. But to the mere onlooker the danger seems unreal. For, after all, the Most Holy Synod represents one of the oldest Christian Churches in existence. It boasts that it has not changed since the death of Christ, and that it possesses the only true saving doctrine. Consequently, it would be unfair to upbraid the Most Holy Synod for wishing to spread the only true doctrine and for not altering with the times. Change may be good, desirable, urgent. But it is not in the Orthodox Church that one would naturally look for it. Another tranquillizing consideration is that the Most Holy Synod has the right of expostulating and recommending, but not of giving, laws to the Russian Empire. And until the principle of intolerance has been embodied in the penal code it is too early to complain.

There can be no doubt that the Orthodox Church has been sorely tried since the revolutionary movement began. Scores, nay, hundreds, of thousands of her nominal children have quitted the fold and gone over to the adversary, while many of those

who remain behind are openly fighting against the dogmas or the traditions of Orthodoxy. And now, whenever a prominent ecclesiastic is about to be severely punished, he generally escapes to the enemy's camp. It was thus that quite recently the Archimandrite, Michael, when on the point of being rigorously dealt with, announced that he had, as a Hibernian once put it, abandoned the errors of the Orthodox and embraced those of the Old Believers' Church. And now another ecclesiastical light has become a firebrand. Father Petroff, an esteemed popular preacher, falsely denounced by a brother clergyman, was recently called to account by his ecclesiastical superiors. Refusing to answer their questions, he has now written a letter to the Metropolitan Archbishop of St. Petersburg expounding his politico-religious views. And in this confession he reveals himself as a Socialist, a Utopist and a severe judge of Russian Autocracy and Orthodoxy.

Father Petroff affirms that, after nineteen centuries of Gospel preaching, there is no Christian form of government; that there is neither a Christian society nor a Christian State. "Kings take their realms for their estates, and look upon their people as their herds. In lieu of serving the nation, they want the nation to serve them. . . . '*Sacred* property' the highest classes term what they have wrested by violence or acquired by guile. When they owned slaves they bestowed upon them, too, the name of '*sacred* property.' . . . If the well-to-do could but seize the sky, the air, the ocean and the stars, they would declare all this their *sacred* property. They would let them at exorbitant rents and turn them into a source of unearned income."

Father Petroff stigmatizes war as scientifically arranged massacre, condemns capital punishment which is now an every-day occurrence in Russia, and makes the Monarch and his Ministers personally responsible for it. Nay, he bestows on them the name and the attributes of executioners. "The hangman is just such an instrument of punishment as are the gallows and the noose. It is a higher executioner who strangulates—viz., the judge who utters the death sentence. Aye, he who executes is the administrator who ratifies the sentence. He who strangulates is the Minister who erects gallows all over the country, and looks upon the gallows as his mainstay and his force. The hangman of the condemned is that supreme authority that sanctions the introduction of the gallows by the Minister."

The view taken by Father Petroff of the Church, of which until a few weeks back he was regarded as an ornament, is gloomy in the extreme, and will probably provoke his suspension as a clergyman and possibly his excommunication as well. The following passage from his unpublished letter to the Metropolitan Archbishop contains the gist of it: "The governing monks with their cold, lifeless, bony fingers have throttled the whole Russian Church, stifling its creative spirit; they have manacled the very Gospel and sold the Church as a mercenary to serve the ruling power. Pobiedonostseff's synodal department has made the Church, this bride of Christ's, the concubine of the State. There is no manner of violence, no sort of crime, no misdeed of the State-governing power which the Church-governing monks have not covered with their ecclesiastical mantle, have not hallowed."

Probably by the time this letter is in the hands of the readers of the REVIEW Father Gregory Petroff will have ceased to be a clergyman of the Russian Orthodox Church.

One of the gravest mistakes made by the present Cabinet is the postponement of departmental reform. Almost every Ministry is an Augean stable abounding in abuses which have done more to discredit the *régime* than all the arbitrary acts of the administration. The corruption of certain classes of officials, especially those who come in contact with foreign joint-stock companies and those who take the delivery of war-ships, etc., is proverbial. It might, of course, be equally great if Russia were a republic. But, as a matter of habit, everybody associates the *régime* with these abuses and makes the monarchy responsible for them. It is thus that the *régime* suffers from the odium that attaches to the Minister of Marine, although if it depended on the court these abuses would probably be swept away in a few months. It would, therefore, be a clear gain if the Cabinet purged the departments, raised salaries, penalized bribery and took efficacious means to have the law observed.

The law court at which the defenders of Port Arthur are being tried is another mud volcano. Daily it bespatters men who theretofore stood fairly well with their fellow citizens; General Kuropatkin is one of these. He deposed at the trial that Port Arthur was not, and could not be, a first-class fortress because it was built in two years, and no formidable stronghold could be constructed in that time. Moreover, the city of Dalny, which was "erected

by Witte unknown to Kuropatkin," annihilated the value of Port Arthur as a citadel. Kuropatkin swore to this deliberately. Then it was proven that his memory had played him false, that he had known all along of the scheme to build Dalny, approved it orally and in writing, and even proposed three names for the new city, none of which the Emperor accepted. It has also been shown that, when the Tsar sent him as War Minister to examine the state of Port Arthur about six months before the outbreak of the war, he reported to the monarch that "we may now be easy in mind about the fortress of Port Arthur. The fortifications of Port Arthur are coming to an end, and will render it, when adequately governed and victualled, impregnable by sea and by land. . . . At present there is no ground for alarm even if the greatest part of the Japanese army should attack Port Arthur. We have the force and the means of defending it alone against ten to fifteen enemies. . . . Now, therefore, we need not be anxious." As these two statements are contradictory, say the organs of the liberal press, it is fair to ask whether Kuropatkin was telling an untruth when he assured the Tsar before the war that Port Arthur was impregnable, or lately at Stoessel's trial when he informed the court that Port Arthur was a wretched makeshift of a stronghold and could not be otherwise. And the newspapers are now clamoring for his trial.

BERLIN, *February, 1908.*

ALTHOUGH the effects of the great financial crisis in America last November are gradually being overcome in Germany, as elsewhere, there are various more or less permanent factors in German and Prussian finance which, in view of the susceptibility of the Berlin Bourse to Wall Street influence, possess a more than purely Continental interest. Financial and commercial developments in the United States are followed with close attention in this country, and recent events in this sphere in America have been made the subject of repeated discussion in the Reichstag, as well as in the reports of Chambers of Commerce and other trade associations.

With regard to the crisis itself there is a wide-spread popular disposition to ascribe its origin to President Roosevelt's campaign against the Trusts, and it is felt that any attempt to impair the financial activity of the Trusts must, of necessity, react upon

the whole economic life of America. Due importance is attached to the President's view that the greater the crisis the sooner it will be overcome; but, in agreement with opinions which have already been expressed in the American Senate, it is held that the challenge to the Trusts has come too late. In other quarters it has been suggested that the whole crisis has been the result of a speculative attempt to influence prices on the international stock and money market. But, whatever the cause of the crisis may have been, its effects, as far as Germany is concerned, have been unmistakable. According to the official estimates of the Statistical Department, the fight for gold in America resulted in the export, during November alone, of nearly \$40,000,000 of German gold, and the withdrawal of close upon \$8,000,000 worth of gold from the Imperial Bank during the first week of that fateful month resulted in an increase of the official discount rate to seven and one-half per cent. It is not without a certain uneasiness that in agrarian circles, for example, it has been noted that on an average American exports to this country annually exceed in value German exports to the United States by some \$125,000,000. In 1906 the excess was estimated at as much as \$150,000,000. The American returns, it is true, estimate this excess at under \$100,000,000. The discrepancy is admitted in this country, but it is maintained that for practical purposes there is no reason why raw materials, such as copper and cotton, which are destined for re-export in the form of manufactured goods, should not be included. But, whichever estimate is accepted, there undoubtedly remains a wide margin against Germany which is not covered by the earnings of the large shipping companies, like the North German Lloyd and the Hamburg American Line, or by the interest on American securities in German hands. In addition, there is the enormous sum of \$75,000,000 for which German insurance companies have admitted liability in connection with the San Francisco earthquake.

In the mean time Germany is continually liable to have to submit to the withdrawal of large quantities of gold with calamitous results. The makeshift weapon of defence at the disposal of the Imperial Bank is an increase of the official discount rate to a prohibitive figure. A bank rate of seven per cent. at the beginning of 1907 and one of seven and one-half per cent. at the beginning of this year is a phenomenon which calls for remark,

and it is well to remember that, as far as Germany is concerned, quite apart from recent American requirements, these increases have been due to the overwhelming excess of demand over supply on the capital-market rather than to developments on the money market. Thus, according to the estimates of the "Cologne Gazette," at the close of the year 1906 the thirteen largest German banks had granted credits to the amount of considerably over \$1,000,000,000; and although the figures for 1907 are not yet available, it is probable that this sum has been increased by anything from \$200,000,000 to \$250,000,000. This enormous increase in the demand for capital in its turn has been the result of a universal rise of prices and of the extraordinary growth of production. Side by side with these developments there has been an appreciable lessening of consumption and demand. Dearer credit has reacted upon the building industry, and the partial paralysis of this trade has in turn reacted upon the iron and steel industry, with the result that in a number of important centres production has been reduced or temporarily suspended. In January there were 30,000 unemployed in Berlin alone.

And yet, notwithstanding this array of eminently unfavorable factors, the recent crisis has shown the essential solidity of the foundations upon which German commerce and industry are based. The crisis came to a head at a moment when over-production and over-speculation had tied down large sums of capital in industrial undertakings. But thanks to the effective resistance of German industry and to the process of amalgamation which has been going on in an increasing number of its branches, the force of the blow was broken, and the German financial system has emerged from the ordeal shaken, but not discredited. If conditions in America exhibit any genuine signs of permanently settling down there is likely to be a corresponding return of confidence in this country.

But, as has already been indicated, there are unmistakable symptoms of the imminence of an industrial crisis in Germany, and although it is not yet possible to predict the proportions which it will assume, there is reason to fear that a second trying ordeal is in store. There can be no reasonable doubt that German industry, commerce and finance will survive this fresh trial, but the prospect of a repetition even on a small scale of the industrial collapse of 1900 has a depressing influence on trade.

The depression of trade, the increased cost of living and the prospect of still more unfavorable economic developments have been followed by a wave of political discontent. Quite apart from these factors, the period of comparative tranquillity in German foreign affairs which has succeeded the alarms of the last two or three years has given the German people leisure to inquire into their domestic affairs, and dissatisfaction with prevailing economic conditions has been transferred to the political sphere at home. In observant quarters it has long been felt that the artificiality of certain aspects of German *Weltpolitik* was, perhaps, not altogether unconnected with a desire to distract public attention from various domestic problems which the Government felt it inconvenient to approach. This policy of procrastination will now have to contend with an opposition which, once popular feelings have been aroused, it will be difficult to silence.

Engendered by discontent, and encouraged by the example of Austria last year, the agitation for a reform of the Prussian franchise, with its class system of suffrage, which even Bismarck was wont to describe as the worst in Europe, is in full swing, and although it would be hazardous to predict its chances of success, the Radicals and some of the Liberal elements, as well as the Social Democrats, have adopted this question as one of the integral planks in their platform. Like the Socialists, the Radicals have long made the Prussian franchise the subject of criticism in season and out of season. But while the former have elected to make street demonstrations their chief means of propaganda, the Radicals are minded to pursue the end in view in a more Parliamentary fashion. For the present, moreover, the Radicals are still sufficiently jealous of their position in the *Bloc* not to renounce their allegiance to Prince von Bülow, notwithstanding the fact that the Imperial Chancellor in his capacity as Prussian Minister-President is the strongest pillar of the conservative and reactionary *régime* in Prussia. The forthcoming campaign in connection with the elections to the Prussian Chamber is likely to make it plain what attitude the rank and file of the Radical party throughout the country are likely to compel their representatives to adopt. Theoretically and practically the course which the Social Democrats have chosen in transferring their agitation to the streets, and in trying the patience of the authorities by a series of more or less violent

demonstrations, is to be condemned. To render the principal thoroughfares of Berlin and other large towns unsafe for ordinary traffic is a proceeding which no political motives, however pardonable and natural in themselves, can excuse. Morally, however, the Socialists may claim in justification of their action that, debarred as they are for want of Parliamentary representation from stating their grievances in the Chamber, they have no other means of calling attention to the disabilities of the Prussian working-classes. And, indeed, it is a curious anomaly that, although in Prussia the Socialists poll almost as many votes as the Conservatives, who constitute nearly one-half of the whole Prussian Chamber, they have not a single representative in that House. The same voters, moreover, who as Prussians are debarred by the indirect suffrage system from returning a single deputy to the Lower House of the Prussian Diet, in their capacity as Germans, and under the universal, equal and direct suffrage which governs elections to the Reichstag, have been able to return as many as eighty members to the Diet of the Empire. The Conservatives alone feel it to be in their interest to maintain this Gilbertian situation which ascribes to one and the same person a higher or lower degree of political intelligence according as he is a German or a Prussian. The Prussian franchise as now constituted is the cornerstone of the whole reactionary edifice. But street demonstrations are worse than useless against Prussian Conservatism fighting with its back to the wall. The Government has already proclaimed its intention of dealing more severely with each successive demonstration as it takes place. The Socialist leaders would be ill-advised if they allowed the masses to get out of hand and to provoke the intervention of the military. The conditions of street warfare have changed since 1848, and the mob which should try to stand up to barricade itself against modern weapons of precision would soon be reduced to reason. The Government has accordingly shifted all responsibility for future developments in this direction on to the shoulders of the Social Democracy. As a matter of fact, the association of the Socialists with the franchise agitation is likely to make it unpopular, and to retard reform. A striking illustration of this political antipathy is to be found in the ultimate failure of the Socialists to defeat the Tariff in 1902-3, when their tactics ranged the opponents of the Tariff on the Government's side.